

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

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| In the Matter of |) | |
| |) | |
| Universal Service Contribution |) | WC Docket No. 06-122 |
| Methodology |) | |
| |) | |

COMMENTS OF COMPETITIVE CARRIERS ASSOCIATION

Competitive Carriers Association (“CCA”)¹ submits the following comments in response to the *Notice of Proposed Rulemaking* in the above-captioned proceeding. The Federal Communications Commission (“FCC” or “Commission”) seeks comment on how the Commission can “evaluate the financial aspects of the four [Universal Service Fund (“USF”)] programs in a more holistic way” to ensure that they serve “the overarching universal service principles” Congress has charged the Commission with safeguarding, including, for instance, whether to establish a USF cap.² CCA commends the Commission for its dedication to the principle of universal service and submits these comments to highlight several priorities that should inform the Commission’s evaluation of the USF and its constituent programs.

Specifically, CCA encourages the Commission to ensure that any changes to the USF align with the values that Congress has mandated. The Commission also should take advantage of opportunities in the near future to improve broadband data collection before making decisions

¹ CCA is the nation’s leading association for competitive wireless providers and stakeholders across the United States. CCA’s membership includes nearly 100 competitive wireless providers ranging from small, rural carriers serving fewer than 5,000 customers to regional and national providers serving millions of customers. CCA also represents associate members including vendors and suppliers that provide products and services throughout the mobile communications supply chain.

² *Universal Service Contribution Methodology*, Notice of Proposed Rulemaking, FCC 19-46, WC Docket No. 06-122, ¶ 1 (rel. May 31, 2019) (“*NPRM*”).

on any caps or priorities among USF programs. CCA also urges the Commission to take a broader look at the equity of USF contributions and distributions between wireless and wireline telecommunications services.

I. THE COMMISSION SHOULD ENSURE THAT ANY CHANGES TO USF FUNDING ARE CONSISTENT WITH CONGRESS’S MANDATE TO ADVANCE FUNDAMENTAL UNIVERSAL SERVICE PRINCIPLES

The foundation of the USF program is Congress’s charge that the Commission “base [its] policies for the preservation and advancement of universal service” on several foundational principles.³ These principles include the provision of “[q]uality services . . . at just, reasonable, and affordable rates;” access to “advanced telecommunications and information services . . . in all regions of the Nation,” including “rural, insular, and high cost areas;” “equitable and nondiscriminatory contribution[s]” from “providers of telecommunications services;” and other values, all in service of “the public interest, convenience, and necessity.”⁴

CCA agrees with the Commission that advancing these principles requires “balanc[ing] the need for fiscal responsibility and predictability with the benefits” from universal service funding.⁵ While this balancing can be a difficult task, CCA agrees that the Commission should identify targeted actions that will protect the USF from waste, fraud, and abuse to “preserve and advance universal service.”⁶ Focusing on particular steps that the Commission can take to prevent waste, fraud, and abuse, in turn, will enable the Commission to meet its statutory objectives of, among others, ensuring that USF funds are available for consumers and areas most

³ *Id.* ¶ 4.

⁴ 47 U.S.C. § 254(b).

⁵ *NPRM* ¶ 4.

⁶ *Id.* ¶ 3.

in need.⁷ The Commission should prioritize these Congressional mandates as it considers proposals in the *NPRM*.

II. THE COMMISSION SHOULD PROPERLY EVALUATE WHERE SERVICES AND COMPETITION EXIST

To effectively evaluate the “consequences and tradeoffs of spending decisions” in the USF program,⁸ the Commission should ensure that it collects sound data regarding where “advanced telecommunications and information services” are offered and where adequate competition fosters consumer options and competitive pricing.⁹ Understanding the scope of the problem of unserved and underserved areas is a prerequisite for determining how best to solve the problem. CCA has for years warned that the Commission’s “current data, based on Form 477 submissions, does not reflect on-the-ground coverage” and risks distorting the Commission’s choices on how to allocate scarce resources.¹⁰ The Commission should ensure that it has sound data that reliably represents the scope and level of broadband services before it makes significant changes to USF funding mechanisms.

CCA also encourages the Commission to take steps to “standardize data collections, better understand carriers’ broadband coverage, and produce more reliable maps.”¹¹ The use of flawed Form 477 data has had a markedly negative impact on USF programs. For example, the Commission’s most recent mobile data collection to determine areas presumptively eligible for

⁷ *Id.*

⁸ *NPRM* ¶ 3.

⁹ 47 U.S.C. § 254(b)(2).

¹⁰ Letter from Alexi Maltas, SVP & General Counsel, Competitive Carriers Association, to Marlene H. Dortch, Secretary, FCC, WT Docket No. 10-208, WC Docket No. 10-90, WC Docket No. 11-10, at 1 (filed June 27, 2019).

¹¹ *Id.* at 2.

Mobility Fund II support “failed to reliably identify which areas are sufficiently served” and used parameters that “were too general to allow carriers to provide actionable coverage probabilities.”¹² If carriers are unable to report useful coverage data, the Commission’s efforts to update universal service policies in a cost-effective manner will inevitably rest on a shaky foundation. Before implementing any changes to the USF program, CCA urges the Commission to improve its data collection, particularly before applying that data to USF allocation decisions.

III. THE COMMISSION SHOULD FOSTER AN EQUITABLE BALANCE BETWEEN USF CONTRIBUTIONS AND DISTRIBUTIONS AMONG DIFFERENT SERVICES

Finally, CCA encourages the Commission to take a “holistic” view of USF programs,¹³ and resolve the disconnect between contributions to, and distributions from, the USF. Congress created the USF program to provide Americans in rural areas with “reasonably comparable” services as those in urban areas with the help of sufficient and predictable support.¹⁴ In today’s world, “reasonably comparable” services must include fast, affordable mobile broadband services. Wireless carriers, including many CCA members, contribute a disproportionate level to the USF relative to what they receive from it (and relative to what wireline telecommunications providers receive). On May 31, 2019, the FCC released its annual Universal Service Monitoring Report which compiled USF data received through September 2018 and found that the average contribution factor for 2018 was 18.97%, a 1.47% increase from the 2017 average. And most recently, the contribution factor for the third quarter of 2019 spiked to 24.4%, a 5.6 point

¹² *Id.* at 1.

¹³ *NPRM* ¶ 1.

¹⁴ 47 U.S.C. § 254(b)(3).

increase (or a striking 28%) from just the second quarter.¹⁵ It is particularly stark that the contribution factor for wireless services continues to spike, despite the fact that wireless technologies are the most promising, cost-effective solutions to close the digital divide in many rural, high-cost, and lower-income areas.

While CCA supports the Commission’s laudable goal to extend connectivity to all parts of the country, the Commission must be mindful that expanding LTE service is a significant expense particularly for competitive providers. Indeed, just last month, the National Center for Health Statistics reported that 56.7% of adults live in wireless-only households.¹⁶ As Americans continue to cut the cord and move away from landline telephones, today’s wireless services are revolutionizing entire industries and improving consumers’ quality of life across the United States. And as more lower- and middle-income Americans continue to rely on wireless technologies to access the Internet,¹⁷ the disconnect between served and unserved consumers will impose a “disproportionate burden” on both providers and the customers they serve that is “counter to the goal of universal connectivity.”¹⁸ USF contribution costs, after all, are ultimately borne by the same consumers that use the relevant services. The Commission’s broader look at the USF should include an evaluation of whether reforms in this area are needed to ensure that

¹⁵ Universal Service Administrative Company, Contribution Factors 2019, *available at* <https://www.fcc.gov/general/contribution-factor-quarterly-filings-universal-service-fund-usf-management-support>.

¹⁶ National Center for Health Statistics, “Wireless Substitution: Early Release of Estimates from the National Health Interview Survey, July-December 2018” at 2 (rel. July 10, 2019), *available at* https://www.cdc.gov/nchs/data/nhis/earlyrelease/wireless201906.pdf?deliveryName=USCD C_374-DM4151.

¹⁷ See generally Cisco Systems Inc., *Cisco VNI Global Fixed and Mobile Internet Traffic Forecasts (2017-2022)*, *available at* <https://www.cisco.com/c/en/us/solutions/service-provider/visual-networking-index-vni/index.html> (last visited July 23, 2019).

¹⁸ *NPRM*, Statement of Commissioner Michael O’Rielly.

the program is equitable and effective in achieving Congress's and the Commission's goals for universal service.

IV. CONCLUSION

CCA appreciates the Commission's dedication to the statutory principle of universal service and to ensuring that the USF effectively promotes that vision. As it embarks on this proceeding, the Commission should prioritize the values mandated by Congress, ensure that it has sound data before making particular funding decisions, and consider a broader look at the effectiveness and equity of the current contribution and distribution framework. If the Commission focuses on those high-level priorities, CCA is confident that this proceeding will be a success.

Respectfully submitted,

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July 29, 2019